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ACTION: NONE INFO: FALK-E (), NIO/WE, ODPH-H, ODPN-N, ODPS-S,
OGI/E/D, OGI/E/PSA, OGI/E/SA, OGI/I/IT-2, OGI/R/MR, OOE/EI/P, OOE/FR,
OOE/UK, OOE/WE, OSWR/TTC, PLANFAC-E (), RF, SOV/SE, SOV/SE/R, FILE,
EUR/BC, EUR/F-2, EUR/RR, EUR/STE, SE/RR, SE/XEU, CR/E, DCD-3, IAD/CAS-3,
IAD/PE, ICS/OHC, NICAG/SP, NIO/PE, OER, (20/W)

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FM AMEMBASSY PARIS
TO SECSTATE WASHDC 8232
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C O N F I D E N T I A L PARIS 21520

FOR JAMES BUCKLEY FROM AMBASSADOR GALBRAITH

PLEASE PASS TO COMMERCE FOR OLMER

E.O. 12065: GDS 6/21/88 (GALBRAITH, EVAN G.) OR-M
TAGS: ENRG, UK, N
SUBJECT: NORWEGIAN GAS DEVELOPMENT REPORT NO. 1

REF: STATE 122029

1. (C - ENTIRE TEXT.)

2. THE EXTENSION OF THE EMBARGO TO FOREIGN LICENSEES SHOULD BE OF SIGNIFICANT HELP TO THE DEVELOPMENT OF NORWEGIAN GAS. THE SOVIET UNION AS A SOURCE IS MADE TO LOOK LESS RELIABLE AND THE RELIABILITY OF A SOURCE IS VERY IMPORTANT TO THE GAS DISTRIBUTORS. DELAYING THE FIRST SIBERIAN PIPELINE WILL MAKE EUROPEAN GAS DISTRIBUTORS WARY ABOUT COMMITTING THEMSELVES TO THE SECOND PIPELINE.

3. THE FUTURE MARKET BEING THE KEY TO THE FUTURE OF NORWEGIAN GAS, I MET WITH REPRESENTATIVES OF GAZ DE FRANCE, AND RUHRGAS, THE MAJOR DISTRIBUTORS IN EUROPE. (REPORTS OF THESE MEETINGS HAVE BEEN POUCHED TO THE DEPARTMENT.) BOTH ARE ANXIOUS FOR NORWAY TO GO AHEAD AND BOTH REALIZE THAT THE DEVELOPMENT COSTS MAY MAKE THE GAS MORE EXPENSIVE THAN SOVIET GAS. THEY GAVE NO PRICE INDICATIONS OTHER THAN IMPLYING NORWAY MIGHT COMMAND SOME SORT OF PREMIUM. BOTH THESE COMPANIES ENTHUSIASTICALLY OFFERED TO HELP IN ANY WAY THEY COULD. THEY MIGHT BE VERY VALUABLE ALLIES FOR SOPHISTICATED STUDIES, FOR EXAMPLE, A SENSITIVITY STUDY TO MAKE A CASE TO THE NORWEGIAN GOVERNMENT FOR TAX RELIEF. (STUDIES BY THE OWNERS OF THE FIELDS ARE ALWAYS SUSPECT IN EYES OF THE TAX COLLECTOR.)

4. I HAVE TALKED TO SHELL IN LONDON BY TELEPHONE AND HAVE A DATE TO SEE THEM THERE ON JUNE 30. I ALSO PLAN TO SEE THE UNDERSECRETARY FOR GAS OF HMG AND HOPEFULLY BELGRAVE. SUBJECT TO WHAT I LEARN AT THESE STOPS, I THEN THOUGHT I WOULD SEE SOME EQUIPMENT SUPPLIERS AND PERHAPS SOME BANKERS BEFORE GOING TO SEE THE NORWEGIAN GOVERNMENT. THE SUPPLIERS MIGHT BE HELPFUL IN PUTTING TOGETHER AN EXPORT FINANCING SCHEME. MY FIRST GOAL IS TO BE SUFFICIENTLY TUTORED TO BE ABLE TO DISCUSS THIS PROJECT WITH YOU AND OTHERS IN WASHINGTON IN EARLY OR LATE AUGUST, WHICHEVER SUITS YOU.
GALBRAITH

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END OF MESSAGE

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